Tarkett

Press release

Tarkett Group

# Resilient Adjusted EBITDA despite challenges in North America

# Solid progress in cost reduction and deleveraging

## Full Year 2019 Results

- **FY 2019 revenues up 5.5% with organic growth at +0.7% thanks to a record year in Sports**
- **North America: Q4 sales down -19% versus 2018 (ERP-related operational issues). December sales better than previously anticipated. Commercial carpet production back to normal in December 2019**
- **Selling price increases covering purchasing cost inflation and partially offsetting wage inflation**
- **Adjusted EBITDA before IFRS 16 at €250 million versus €249 million in 2018. Adjusted EBITDA margin of 8.3%**
- **Acceleration of cost reduction in H2 2019 leading to adjusted EBITDA margin improvement in all segments outside North America. Total cost savings of €32 million in 2019**
- **Proposed dividend of €0.24 per share, i.e. a 40% payout ratio**
- **Strong free cash-flow generation of €231 million significantly reducing net debt; Leverage before IFRS 16 of 2.2x end December 2019 (vs. 2.8x end December 2018)**

**Paris, February 13, 2020:** The Supervisory Board of Tarkett (Euronext Paris: FR0004188670 TKTT) met today and reviewed the Group's consolidated results for the full year 2019.

*The Company uses alternative performance indicators (not defined by IFRS) described in details in appendix 1 (page 7). Audited condensed consolidated financial statement, adjusted EBITDA and net debt for full year 2019 are presented before and after taking into account IFRS 16:*

| € million | FY 2019 | FY 2018 | Change |
|---|---|---|---|
| **Net sales** | **2,991.9** | **2,836.1** | ***+5.5%*** |
| *of which organic growth* | *+0.7%* | | |
| ***Adjusted EBITDA before IFRS 16*** | ***249.5*** | ***248.7*** | ***+0.3%*** |
| *% of net sales* | *8.3%* | *8.8%* | |
| *IFRS 16 effect* | *30.5* | *-* | *-* |
| **Adjusted EBITDA (as reported)** | **280.0** | **248.7** | ***+12.6%*** |
| *% net sales* | *9.4%* | *8.8%* | |
| **Result from operations (EBIT)** | **96.6** | **106.6** | ***-9.4%*** |
| *% net sales* | *3.2%* | *3.8%* | |
| **Net profit attributable to owners of the Company** | **39.6** | **49.3** | ***-19.7%*** |
| *Fully diluted Earnings per share (€)* | *0.61* | *0.77* | |
| **Free cash-flow** | **231.4** | **36.0** | **-** |
| ***Net Debt before IFRS 16 application*** | ***547.5*** | ***753.6*** | ***-27.3%*** |
| *Net Debt to Adjusted EBITDA before IFRS16 (2018 pro forma)* | *2.2x* | *2.8x* | |
| **Net Debt (as reported)** | **636.8** | **-** | **-** |

Commenting on these results, **CEO Fabrice Barthélemy** said: *" In 2019, we grew our revenues and maintained our adjusted EBITDA. The flooring business in North America had a difficult year and operational issues in Q4. We solved these issues before year end and implemented a dedicated action plan to recover our profitability in the region, including a successful industrial footprint reorganization, the launch of a SG&A cost saving program and a reshuffling of our sales force. The other segments performed well given the market conditions. The Sports segment recorded a very dynamic performance while increasing its profitability. Thanks to strong cash flow generation, we significantly reduced our net debt and regained financial flexibility.*

*In 2019, we also deployed our Change to Win strategic roadmap. We achieved an important milestone in circular economy with the launch of a unique recycling offer in carpet tiles that combines a breakthrough technology and innovative product formulation. In 2020, Tarkett will continue its transformation journey to deliver its midterm objectives, with a strong focus on sales efficiency and profitability in North America. "*

## 1. Change to Win strategic plan on a good track

- Sustainable growth:
    - Third year in a row of double digit organic growth in Sports (+12.9% in 2019), leveraging our end-user focused strategy and global scale;
    - Focus on key commercial end-user segments: workplace, education, healthcare/aged care and hospitality through implementation of key account managers' organization.
- One Tarkett for our customers:
    - Shift to single branding in North America and sales force reorganization;
    - Innovation and R&D reorganization to better address customers' needs; launch of product range simplification program.
- People and Planet:
    - Introduction of new CSR objectives: 30% of recycled raw materials used in production (12% in 2019) by 2030 and reducing by 30% GHG emissions intensity (scope 1 and 2, kg CO2 e/sqm) by 2030 (-15% between 2010 and 2019);
    - Launch in Europe of a unique recycling offer for commercial carpet combining breakthrough recycling technology and innovative product formulation developed by Tarkett in a partnership with a leading supplier of nylon yarns;
    - Strong commitment to safety and internal mobility supported by ambitious objectives for 2025.
- Cost and financial discipline:
    - Cost reduction program well on track: €32 million achieved in 2019, out of €120 million targeted between 2019 and 2022;
    - Significant progress in reorganizing the industrial footprint with 3 sites closed at the end of 2019, launch of a SG&A cost reduction program in North America, EMEA and central functions in Q4 2019;
    - Expansion of production capacity in growing categories (LVT products, accessories), ongoing deployment of automation program across manufacturing sites;
    - Significant deleveraging over the course of the year, allowing the Group to reach 2.2x in line with its Change to Win objective, ie between 1.5x and 2.5x Adjusted EBITDA (before IFRS 16).

## 2. 2020 Outlook

Management's priority is to get back to growth and restore profitability in North America flooring activities. Actions to improve sales in the region aim at delivering revenue growth in 2020, notwithstanding a Q1 expected to be challenging. Tarkett's flooring activities in North America are now organized under one brand, with a sales force focused on strategic end-user segments and actively promoting the newly launched mid-range carpet tiles and LVT. North America will also benefit on a full-year basis from the industrial footprint reorganization and other cost measures implemented in 2019.

Market conditions in EMEA and CIS flooring markets are anticipated to remain soft in 2020. Demand in Sports remains solid and should generate further growth for the segment in 2020.

Tarkett expects some inflation driven by energy and some raw materials and will keep managing its selling prices to offset such impacts.

The Group is pursuing its strategic initiatives to grow its top line and restore its profitability, including a cost reduction program which aims at delivering €30 million of savings in 2020. Tarkett aims at increasing its adjusted EBITDA margin in 2020.

The Group will also continue to tightly manage working capital and capex to further reinforce its financial flexibility.

Tarkett is executing its strategic initiatives to deliver on its mid-term financial objectives (objectives presented as reported, after IFRS 16):

- Organic growth CAGR above GDP growth in key regions for the period 2019-2022
- Adjusted EBITDA margin at least at 12% by 2022
- Net debt to adjusted EBITDA comprised between 1.6x and 2.6x at each year end of the period.

*Exposure to China:*

The Group is closely monitoring the situation since the outbreak of the "coronavirus" crisis. For the Group, China is a niche market representing less than 1% of total net revenues. In addition, Tarkett has a limited exposure to China both in manufacturing and procurement. The Group is, however, working to mitigate the impact on the supply chain.

## 3. Group full year results

**Group net revenues** amounted to €2,991.9 million in FY 2019, an increase of +5.5% year-over-year. This increase reflected moderate organic growth (+0.7%), a positive scope effect (+2.1%) and a positive forex impact (+2.6%), mainly related to the appreciation of the dollar versus the euro. Organic growth was impacted by an overall weak performance in North America. This was heightened in Q4 as sales in North America organically fell by 18.9%. CIS, APAC and Latin America revenues were down on a like-for-like basis notwithstanding better trends in H2. EMEA achieved positive organic growth despite a mixed performance in Q4, while Sports grew at a rapid pace in 2019. Overall organic growth was down 2.5% in Q4 2019 due to North America.

**Adjusted EBITDA** amounted to €280 million in FY 2019 including €30.5 million of IFRS 16 impact. Tarkett recorded a negative volume and mix effect of €39.3 million mostly driven by North America. This has been offset by €32.4 million of cost savings (€26.6 million of productivity gains and €5.8 million of SG&A savings), positive forex effects and acquisitions' contribution. Selling price increases amounted to €22.4 million. They fully covered purchasing cost inflation (€10 million) and a large share of annual wage inflation (€16 million). Adjusted EBITDA margin before IFRS 16 was down 50 basis points at 8.3% compared to 2018. Margins improved in the second half in all segments outside North America.

**Adjustments to EBIT** represented €25.2 million in 2019, compared to €24.7 million in 2018, including provisions for restructuring costs of €19.7 million compared to €11.2 million in 2018. The provision for restructuring mostly increased due to three plant closures implemented in 2019 as well as SG&A cost reduction measures in North America.

**Financial expenses** increased by €8.7 million to reach €38.8 million in 2019 as a result of the application of IFRS 16 which uplifted them by €4.2 million in 2019. This also reflected the rise in average financial debt in 2019 compared to 2018 following the acquisition of Lexmark in the fourth quarter of 2018. The **effective tax rate** amounted to 28.3% compared to 24.2% in 2018, which had included the favorable conclusion of a tax litigation in Canada. **Net income** amounted to €39.6 million, representing a fully diluted EPS of €0.61.

## 4. Net sales and adjusted EBITDA before IFRS 16 application by segment

*For ease of comparison, figures for 2019 are presented before IFRS 16 in the table below for the full year and in appendix 4 (page 10) for half-year.*
*Reported figures (after IFRS16) for half year and full year 2019 adjusted EBITDA by segment are presented in appendix 7 (page 11).*

| | Net sales | | | | Adjusted EBITDA before IFRS 16 | | | |
|---|---|---|---|---|---|---|---|---|
| **€ million** | **FY 2019** | **FY 2018** | **Change** | **o/w LfL** | **FY 2019** | **FY 2019 margin** | **FY 2018** | **FY 2018 margin** |
| EMEA | 910.4 | 908.4 | +0.2% | +0.9% | 94.7 | 10.4% | 97.3 | 10.7% |
| North America | 825.9 | 783.6 | +5.4% | -6.9% | 51.5 | 6.2% | 70.2 | 9.0% |
| CIS, APAC & LATAM | 587.4 | 580.5 | +1.2% | -1.0% | 79.8 | 13.6% | 74.1 | 12.8% |
| Sports | 668.1 | 563.6 | +18.5% | +12.9% | 71.0 | 10.6% | 52.8 | 9.4% |
| Central Costs | | | | | -47.5 | | -45.6 | |
| **Total Group** | **2,991.9** | **2,836.1** | **+5.5%** | **+0.7%** | **249.5** | **8.3%** | **248.7** | **8.8%** |

**The EMEA segment** reported stable net revenues in 2019 compared to last year, reflecting a moderate organic growth of +0.9% and unfavorable exchange rate fluctuations, mainly with regards to the Swedish and Norwegian krona. After revenue growth of +1.5% in the first nine months on a like-for-like basis, they were down -1% in Q4 as a result of the exit of the laminate production. The slowdown in renovation and new building construction in Germany and persistent uncertainties related to Brexit in the UK continued to affect the level of activity. Following strong growth in the first nine months, the Nordic region stabilized in Q4. The trend was positive in France as revenues organically grew in H2. Selling price increases were sustained across the region.

The EMEA segment recorded an adjusted EBITDA margin before IFRS 16 of 10.4% in 2019 compared to 10.7% in 2018. Adjusted EBITDA margin progressed in H2, largely driven by a sustained level of productivity gains and the coverage of purchasing cost inflation and a large proportion of wage inflation by selling price increases.

**The North American segment** reported net revenues up +5.4% in 2019, as Lexmark acquisition and a positive forex effect fully covered the -6.9% revenue decline on a like-for-like basis. Organic growth was down -3.0% in the first nine months mostly driven by softness in commercial carpet and a lower level of activity in residential. The slower production ramp-up in commercial carpet following the Group's ERP implementation in October resulted in a revenue drop of -18.9% on a like-for-like basis in Q4. This was, however, mitigated by some growth in resilient products for commercial segments. Lexmark has not delivered to expectations during the year – a new head of the hospitality business was appointed in January 2020 to lead the recovery.

The adjusted EBITDA margin before IFRS16 amounted to 6.2% compared with 9.0% in 2018. This 280 basis points decrease was largely driven by H2 performance which was affected by Q4 sales drop. Sales were down in Q4 mainly due to production issues in commercial carpet following the ERP implementation. Challenges on sales in 2019, including the lower performance of Lexmark, poorer product mix and destocking, weighed on the profitability. Overall North America generated a large proportion of the negative volume and mix effect recorded by the Group in 2019. The industrial footprint restructuring was completed in Q3 2019 and SG&A cost reduction initiatives were launched.

Net revenues in **the CIS, APAC and Latin America segment** were up +1.2% in 2019, driven by dynamic activity in Latin America, improving trends in CIS and positive exchange rates variation in H2 2019. Organic growth was down -1.0% on a full year basis (-3.1% in H1 2019) as sales stabilized in Q3 and progressed by +1.3% in Q4 on a like-for-like basis. The activity in CIS improved in Q4 after stabilizing in Q3. Latin America remained dynamic in Q4 and revenues significantly grew on a like-for-like basis in 2019. APAC recorded negative organic growth in Q4 and on a full year basis despite solid growth in China.

The CIS, APAC and Latin America segment recorded an adjusted EBITDA margin before IFRS 16 of 13.6% in 2019 versus 12.8% in 2018. This increase was driven by a significant performance improvement in H2 mostly resulting from a strong level of productivity gains, lower inflation and good pricing management. Purchasing costs inflation eased towards the end of the year, while the "lag effect" (net effect of currency and selling price adjustments) amounted to €4.9 million in H2 2019. Tarkett achieved a solid adjusted EBITDA margin before IFRS 16 of 15.2% in H2 2019 compared to 13.5% in H2 2018.

**The Sports segment** recorded an increase in net revenues of +18.5% in 2019 reflecting strong organic growth (+12.9%), a positive euro-dollar forex effect (+4.8%) and a slight perimeter effect (+0.8%). For the third year in a row, revenues organically grew by more than +10% in 2019, owing to dynamic markets and share gains. Tarkett is now leading sport artificial turf in EMEA in addition to leading this market in North America. Revenues grew by +18.5% on a like-for-like basis in Q4. Turf activities remained buoyant in Q4, while Track activities achieved a good level of growth as better weather conditions compared to Q4 2018 allowed to install late in the season.

The Sports segment significantly increased its profitability in 2019 and achieved an adjusted EBITDA margin before IFRS 16 application of 10.6%. This was largely driven by H2 performance as margin increased by 220 basis points to reach 13.4%, including litigation settlements (net positive effect of €5.4 million). Excluding the favorable settlements, H2 adjusted EBITDA margin would still be up 130 basis points versus H2 2018, at 12.1% as a result of the significant increase in volume and mix and the good execution of projects.

**Central costs not allocated to the segments** were at €47.5 million in 2019, a moderate increase compared to 2018 (+4%), reflecting normal salary inflation and investment in digital marketing.

## 5. Balance sheet and cash flow statement

Tarkett pursued its tight management of **working capital** resulting in a net reduction of working capital of €190.4 million in 2019. The Group continued to decrease its inventory level and reduced its DOI by 4.2 days compared to 2018. Non-recourse factoring and securitization programs were successfully implemented and amounted to €126.3 million at the end of December.

In 2019, **ongoing capex** amounted to €124.6 million or 4.2% of net revenues compared with 4.5% in 2018. The Group expanded production capacity in LVT in Europe and in Russia, in accessories in North America, and opened a wood parquet line in Russia. Capex also included investment in automation and production capacity to manufacture 100% recyclable carpet tiles.

As a result of these actions, Tarkett generated a **free cash flow** of €231.4 million in 2019 compared with €36.0 million in 2018 and materially reduced its net debt at the end of the year compared to end December 2018.

**Reported net debt** amounted to €636.8 million at the end of December 2019, or a leverage ratio of 2.3x adjusted EBITDA at end December 2019. Based on existing lease contracts, applying IFRS 16 increased net debt at 2019 year end by an amount of €89.3 million. The documentation of Tarkett's financing agreements provides that the effect of changes in accounting standards should be neutralized. **Accordingly, net debt is considered before IFRS 16**, i.e. €547.5 million, representing **a leverage ratio of 2.2x at the end of December 2019,** a significant reduction compared to 2.8x at the end of December 2018.

## 6. Dividend

The Management Board will propose the payment in cash of a dividend of €0.24 per share in respect of 2019, representing a pay-out ratio of 40%, aligned with the distribution policy defined in the Change to Win strategic plan. The dividend will be submitted for approval at its annual general meeting on April 30, 2020.

*This press release may contain forward-looking statements. Such forward-looking statements do not constitute forecasts regarding results or any other performance indicator, but rather trends or targets. These statements are by their nature subject to risks and uncertainties as described in the Company's annual report registered in France with the French Autorité des Marchés financiers available on its website (www.tarkett.com). These statements do not reflect the future performance of the Company, which may differ significantly. The Company does not undertake to provide updates of these statements.*

*The audited consolidated financial statements for the full year 2019 are available on Tarkett's website https://www.tarkett.com/en/content/financial-results. The analysts' conference will be held on Friday February 14, 2020 at 11:00 am CET and an audio webcast service (live and playback) along with the results presentation will be available on https://www.tarkett.com/en/content/investors-2*

**Financial calendar**

- April 28, 2020: Q1 2020 financial results - *press release after close of trading on the Paris market and conference call the following morning*
- April 30, 2020: Annual General Meeting
- July 29, 2020: Q2 and Half Year 2020 financial results – *press release after close of trading on the Paris market and conference call the following morning*
- October 20, 2020: Q3 2020 financial results - *press release after close of trading on the Paris market and conference call the following morning*

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**About Tarkett**
With a history of 140 years, Tarkett is a worldwide leader in innovative flooring and sports surface solutions, with net sales of €3 billion in 2019. Offering a wide range of products including vinyl, linoleum, rubber, carpet, wood, laminate, artificial turf and athletics tracks, the Group serves customers in over 100 countries across the globe. Tarkett has 12,500 employees and 33 industrial sites, and sells 1.3 million square meters of flooring every day, for hospitals, schools, housing, hotels, offices, stores and sports fields. Committed to change the game with circular economy, the Group has implemented an eco-innovation strategy based on Cradle to Cradle® principles, with the ultimate goal of contributing to people's health and wellbeing, and preserving natural capital. Tarkett is listed on Euronext Paris (compartment B, ISIN: FR0004188670, ticker: TKTT) and is included in the following indices: SBF 120 and CAC Mid 60. www.tarkett.com.

## Appendices

1/ Reconciliation table for alternative performance indicators (not defined by IFRS)

- Organic growth measures the change in net sales as compared with the same period in the previous year, at constant scope of consolidation and exchange rates. The exchange rate effect is calculated by applying the previous year's exchange rates to sales for the current year and calculating the difference as compared with sales for the current year. It also includes the impact of price adjustments in CIS countries intended to offset movements in local currencies against the euro. In 2019, a €13.1 million positive adjustment in selling prices was excluded from organic growth and included in currency effects.
- Scope effects reflect:
  - current-year sales for entities not included in the scope of consolidation in the same period in the previous year, up to the anniversary date of their consolidation;
  - the reduction in sales relating to discontinued operations that are not included in the scope of consolidation for the current year but were included in sales for the same period in the previous year, up to the anniversary date of their disposal.

| € million | 2019 | 2018 | % Change | o/w exchange rate effect | o/w scope effect | o/w organic growth |
|---|---|---|---|---|---|---|
| Total Group – Q1 | 624.5 | 567.9 | +10.0% | +2.4% | +3.8% | +3.7% |
| Total Group – Q2 | 787.8 | 749.4 | +5.1% | +3.0% | +2.8% | -0.6% |
| **Total Group – H1** | **1,412.3** | **1,317.3** | **+7.2%** | **+2.7%** | **+3.2%** | **+1.3%** |
| Total Group – Q3 | 907.1 | 839.9 | +8.0% | +3.4% | +2.0% | +2.6% |
| Total Group – Q4 | 672.5 | 678.8 | -0.9% | +1.5% | +0.1% | -2.5% |
| **Total Group – FY** | **2,991.9** | **2,836.1** | **+5.5%** | **+2.6%** | **+2.1%** | **+0.7%** |

- Adjusted EBITDA is the operating income before depreciation, amortization and the following adjustments: restructuring costs, gains or losses on disposals of significant assets, provisions and reversals of provisions for impairment, costs related to business combinations and legal reorganizations, expenses related to share-based payments and other one-off expenses considered non-recurring by their nature.

| *€ million* | FY 2019 | Restructuring | Gains/losses on asset sales /impairment | Business combinations | Share-based payments | Other | FY 2019 Adjusted |
|---|---|---|---|---|---|---|---|
| **Net revenue** | **2,991.9** | **-0.0** | **-** | **-** | **-** | **-** | **2,991.9** |
| Cost of sales | -2,321.7 | 12.7 | -0.5 | -0.2 | 0.0 | 2.6 | -2,307.1 |
| **Gross profit** | **670.2** | **12.7** | **-0.5** | **-0.2** | **0.0** | **2.6** | **684.8** |
| Selling and distribution expenses | -360.9 | 1.5 | 0.1 | - | 0.0 | -0.1 | -359.5 |
| Research and development | -32.8 | 0.5 | - | - | 0.0 | - | -32.3 |
| General and administrative expenses | -184.0 | 1.6 | 0.4 | 0.1 | 4.1 | 1.2 | -176.7 |
| Other operating expenses | 4.1 | 3.5 | -2.2 | - | - | - | 5.5 |
| **Result from operating activities (EBIT)** | **96.6** | **19.7** | **-2.2** | **-0.1** | **4.1** | **3.6** | **121.8** |
| Depreciation and amortization | 158.2 | - | 0.0 | - | - | - | 158.2 |
| **EBITDA** | **254.7** | **19.7** | **-2.2** | **-0.1** | **4.1** | **3.6** | **280.0** |

- Free cash flow is defined as cash generated from operations, plus or minus the following inflows and outflows: net capital expenditure (investments in property plant and equipment and intangible assets net from proceeds), net interest received (paid), net income taxes collected (paid), and miscellaneous operating items received (paid).

| Free cash flow reconciliation table ( in € million) | FY 2019 | FY 2018 |
|---|---|---|
| **Operating cash flow before working capital changes excl. payment for lease liabilities** | **258.2** | **218.5** |
| Payment of lease liabilities | -31.9 | -0.4 |
| **Operating cash flow before working capital changes incl. payment for lease liabilities** | **226.3** | **218.1** |
| Change in working capital | 190.4 | -12.3 |
| Net interest paid | -22.7 | -17.2 |
| Net taxes paid | -30.5 | -25.3 |
| Miscellaneous operational items paid | -11.2 | -0.7 |
| Acquisitions of intangible assets and property, plant and equipment | -124.6 | -128.2 |
| Proceeds from sale of property, plant and equipment | 3.7 | 1.5 |
| **Free cash flow** | **231.4** | **36.0** |

- Leverage, as per our debt documentation, is the ratio net debt to adjusted EBITDA before IFRS 16.

## 2/ Bridges (€ million)

### Net sales by division

| FY 2018 | 2,836.1 |
|---|---|
| +/- EMEA | 8.0 |
| +/- North America | -54.2 |
| +/- CIS, APAC & LATAM | -5.8 |
| +/- Sports | +72.9 |
| **FY 2019 Sales Like for Like** | **2,857.0** |
| +/- Perimeter | +60.3 |
| +/- Currencies | +61.5 |
| +/- Selling price lag effect in CIS | +13.1 |
| **FY 2019** | **2,991.9** |

### Adjusted EBITDA by nature

| FY 2018 | 248.7 |
|---|---|
| +/- Volume / Mix | -39.3 |
| +/- Sales pricing | +22.4 |
| +/- Raw Material & Freight | -10.0 |
| +/- Salary increase | -16.0 |
| +/- One-off and others | -8.1 |
| +/- Productivity | +26.6 |
| +/- SG&A | +5.8 |
| +/- Selling price lag effect in CIS | +7.6 |
| +/- Currencies | +0.8 |
| +/- Perimeter | +11.0 |
| **FY 2019 before IFRS 16 application** | **249.5** |
| +/- IFRS 16 impact | +30.5 |
| **FY 2019 after IFRS 16 application** | **280.0** |

## 3/ Quarterly net revenues by segment

| € million | Q1 2019 | Q1 2018 | % change | o/w organic growth |
|---|---|---|---|---|
| EMEA | 239.0 | 228.3 | +4.7% | +5.8% |
| North America | 195.8 | 163.5 | +19.7% | -0.6% |
| CIS, APAC & LATAM | 112.5 | 116.3 | -3.2% | -2.2% |
| Sports | 77.2 | 59.8 | +29.1% | +19.4% |
| **Group total** | **624.5** | **567.9** | **+10.0%** | **+3.7%** |
| **€ million** | **Q2 2019** | **Q2 2018** | **% change** | **o/w organic growth** |
| EMEA | 231.5 | 236.0 | -1.9% | -1.4% |
| North America | 233.4 | 214.8 | +8.7% | -5.6% |
| CIS, APAC & LATAM | 143.1 | 145.4 | -1.6% | -3.8% |
| Sports | 179.8 | 153.2 | +17.4% | +10.5% |
| **Group total** | **787.8** | **749.4** | **+5.1%** | **-0.6%** |
| **€ million** | **Q3 2019** | **Q3 2018** | **% change** | **o/w organic growth** |
| EMEA | 223.5 | 225.2 | -0.8% | +0.1% |
| North America | 230.1 | 206.0 | +11.7% | -2.2% |
| CIS, APAC & LATAM | 171.0 | 165.4 | +3.4% | +0.2% |
| Sports | 282.4 | 243.3 | +16.1% | +10.5% |
| **Group total** | **907.1** | **839.9** | **+8.0%** | **+2.6%** |
| **€ million** | **Q4 2019** | **Q4 2018** | **% change** | **o/w organic growth** |
| EMEA | 216.4 | 218.9 | -1.1% | -1.0% |
| North America | 166.6 | 199.3 | -16.4% | -18.9% |
| CIS, APAC & LATAM | 160.8 | 153.4 | +4.8% | +1.3% |
| Sports | 128.7 | 107.3 | +20.0% | +18.5% |
| **Group total** | **672.5** | **678.8** | **-0.9%** | **-2.5%** |

### 4/ Quarterly adjusted EBITDA

| € million | Q1 2019 | Q1 2018 | *Q1 2019 margin* | *Q1 2018 margin* | Q2 2019 | Q2 2018 | *Q2 2019 margin* | *Q2 2018 margin* |
|---|---|---|---|---|---|---|---|---|
| Adjusted EBITDA excl. IFRS 16 | 35.8 | 29.8 | *5.7%* | *5.2%* | 76.1 | 86.3 | *9.7%* | *11.5%* |
| Reported adjusted EBITDA | 43.1 | - | *6.9%* | - | 83.6 | - | *10.6%* | - |
| **€ million** | **Q3 2019** | **Q3 2018** | ***Q3 2019 margin*** | ***Q3 2018 margin*** | **Q4 2019** | **Q4 2018** | ***Q4 2019 margin*** | ***Q4 2018 margin*** |
| Adjusted EBITDA excl. IFRS 16 | 107.5 | 97.7 | *11.8%* | *11.6%* | 30.2 | 35.0 | *4.5%* | *5.2%* |
| Reported adjusted EBITDA | 115.0 | - | *12.7%* | - | 38.4 | - | *5.7%* | - |

### 5/ H1 and H2 net revenues by segment

| € million | H1 2019 | H1 2018 | % change | o/w organic growth |
|---|---|---|---|---|
| EMEA | 470.5 | 464.3 | +1.3% | +2.1% |
| North America | 429.2 | 378.3 | +13.4% | -3.4% |
| CIS, APAC & LATAM | 255.7 | 261.7 | -2.3% | -3.1% |
| Sports | 257.0 | 213.0 | +20.7% | +13.1% |
| **Group total** | **1,412.3** | **1,317.3** | **+7.2%** | **+1.3%** |
| **€ million** | **H2 2019** | **H2 2018** | **% change** | **o/w organic growth** |
| EMEA | 440.0 | 444.1 | -0.9% | -0.4% |
| North America | 396.7 | 405.3 | -2.1% | -10.3% |
| CIS, APAC & LATAM | 331.8 | 318.7 | +4.1% | +0.7% |
| Sports | 411.1 | 350.6 | +17.3% | +12.9% |
| **Group total** | **1,579.6** | **1,518.8** | **+4.0%** | **+0.3%** |

### 6/ H1 and H2 adjusted EBITDA and margin before IFRS 16

| € million | H1 2019 | H1 2018 | H1 2019 margin | H1 2018 margin | H2 2019 | H2 2018 | H2 2019 margin | H2 2018 margin |
|---|---|---|---|---|---|---|---|---|
| EMEA | 51.3 | 57.1 | 10.9% | 12.3% | 43.5 | 40.2 | 9.9% | 9.1% |
| North America | 37.4 | 35.5 | 8.7% | 9.4% | 14.0 | 34.6 | 3.5% | 8.5% |
| CIS, APAC & LATAM | 29.5 | 31.1 | 11.5% | 11.9% | 50.3 | 43.0 | 15.2% | 13.5% |
| Sports | 16.2 | 13.9 | 6.3% | 6.5% | 54.9 | 39.0 | 13.4% | 11.2% |
| Central costs | -22.6 | -21.5 | | | -24.9 | -24.1 | | |
| **Total Group** | **111.8** | **116.1** | **7.9%** | **8.8%** | **137.7** | **132.7** | **8.7%** | **8.7%** |

### 7/ Half year and Full year adjusted EBITDA as reported by segment (after IFRS 16 application)

Tarkett applied IFRS 16 "Leases" standard since January 1, 2019. This new accounting standard requires leasees to recognize, for all leases that it covers, all lease payments yet to be paid in the form of a right of use under non-current assets on the balance sheet, with a balancing entry under debt on the liabilities side.

As a consequence, reported net debt increased by €89.3 million. In the income statement, there is a decrease in lease expenses recorded under EBITDA, and an increase in depreciation of non-current assets and interest expense. The full-year improvement in EBITDA amounted to €30.5 million in 2019, increasing EBITDA margin by 110 basis points. The table below presents Adjusted EBITDA and margin as reported, i.e. after IFRS 16:

| € million | H1 2019 | H1 2019 margin | H2 2019 | H2 2019 margin | FY 2019 | FY 2019 margin |
|---|---|---|---|---|---|---|
| EMEA | 55.9 | 11.9% | 49.3 | 11.2% | 105.3 | 11.6% |
| North America | 41.4 | 9.6% | 18.5 | 4.6% | 59.9 | 7.3% |
| CIS, APAC & LATAM | 32.5 | 12.7% | 53.4 | 16.1% | 85.8 | 14.6% |
| Sports | 18.1 | 7.0% | 57.1 | 13.9% | 75.2 | 11.2% |
| Central costs | -21.2 | | -24.9 | | -46.1 | |
| **Total Group** | **126.7** | **9.0%** | **153.4** | **9.7%** | **280.0** | **9.4%** |

Group's activities are to some extent seasonal, with an increase in sales generally occurring in the second and third quarters of the year. Sales of Sports surfaces are particularly influenced by seasonality ,as installation work is mainly done between May and October, with a peak of activity during the summer. Moreover, in certain geographies, winter climate conditions can affect work sites and therefore flooring installation.

In 2019, 57% of net revenues were generated in the second and third quarters, as compared with 43% in the first and fourth quarters.